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Common market: Difficult mediterranean concept

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COMMENTS

France

Economic Hindsight

Ever since the efforts for European cooperation were first launched, French governments have attracted attention by their arbitrary attitudes. They showed in the economic sphere as much as in other political fields. However, this French arbitrariness never really indicated a fundamental lack of willingness to cooperate. But the French often gave the impression that, though fully aware of the need for European cooperation, they were trying to get as much as possible for themselves. There was also a good deal of disdain for other peoples' presumed incomprehension.

It now looks as if the exaggerated egocentrism is, together with this disdain, gradually giving way to more prudent counsels. France has lately been an advocate of coordination of European stabilisation efforts. No concrete proposals are yet at hand about the details of such cooperation, but Paris is willing to pay more attention to the coordination of the economic policies of the European states in future.

For a long time France did not want to hear of such cooperation, believing that mutual monetary adjustments would compel the participating states to keep a curb on their domestic economic situation. This illusion was shattered when it became clear that France, like all western industrial nations, was being caught by the inflationary maelstrom. But otherwise the economic situation in France is not really bad: Growth and full employment are assured for the present, in the main no doubt because of the efforts made by the governments in the sphere of economic policy. For these successes however France paid by the loss of its price stability. The unbridled inflation in their own country, though not dissimilar in magnitude to that of other industrial nations, has taught the French that stability is beyond their reach if they do not join their partners in an economic policy. The French, like others before them, are learning the hard way. ro.

Japan—USA

After the Reciprocal Shocks

President Nixon and Premier Tanaka have had two days of consultations and a joint communiqué was issued afterwards. What is the outcome? As regards the trade controversy, no long-term solution has been found. Japan, it is true, has promised to try to cut the US trade deficit over a "reasonable" period of time to a "more manageable size", but how this is to be done in prac-

tice remains to be seen. For President Nixon it is important that time has been gained, two months ahead of the elections, by short-term trade-policy promises on the part of the Japanese. The huge US deficit, estimated at \$ 3.1 bn, is to be cut by about \$ 1 bn. Nixon can also claim as a success that Japan has for the first time not merely taken note of the economic problems of the USA but indicated its willingness to do something about them.

Of rather more significance is probably the communiqué's political content. A new dialogue is to lead to ever closer relations between the two countries. Foreign Minister Ohira remarked on a change from a relationship between "guardian and ward" to one between "mature partners" and stressed that "in a multipolarised world Japan is assuming in the international community a greater responsibility commensurate with its enhanced power". In other words, Japan won't have any more "Nixon shocks".

That stress was put more than once on the harmonious relations between the USA and Japan cannot hide the fact that bilateral problems are still very much on the mind of diplomats in both countries. That is true, above all, of Japan's new self-willed policy towards China and the interpretation of the American-Japanese security pact, more particularly with regard to Taiwan. To Nixon's shock policy Japan retorted with the "Tanaka shock" of instant rapprochement to China. The USA hardly expected such a pungent reaction. Since the two countries depend on each other in the Asian area, it is to be hoped that this reciprocal shock therapy will help to get over misunderstandings and animosities. hg.

Common Market

Difficult Mediterranean Concept

On September 25/26 the EEC Council of Ministers turned its attention to the task of redefining its policy to the Mediterranean countries which have economic links with the Community in the form of trade treaties, tariff preferences and association agreements. An impelling reason to do so was the necessity of the four new EEC countries adapting their trade barriers against the Mediterranean countries to those of the original Six in such a way as to avoid heavy inroads, especially in the farming sector. France used this opportunity for suggesting a new Mediterranean concept: "global agreements" are to be offered first of all to the countries whose economic relations with the Community are already governed by trade accords.

In fact the Mediterranean area has always been of particular importance for the countries of the European Economic Community. For this reason it is especially difficult in this region to draw clear lines between historic links, political designs, security and trade interests and development policy. The Middle East crisis and the Soviet Union's growing naval presence in the Mediterranean add emphasis to the EEC's abundant interest in the stability of this region. In view of the increasing demand for fuels Mediterranean policy also has a close bearing on EEC power policy.

At the meeting of the Council of Ministers however it was seen once more how difficult it is to develop a global concept for the Mediterranean area. The states in question are structurally similar in that they are largely agricultural exporters. But it is by no means easy to find a common denominator for their political ideas and systems and their various interests. kw.

Europe

Before the Summit

On the agenda of the European summit conference to be held in Paris this month are matters in urgent need of a political impetus if there is to be no let-up in the efforts for an intensification of integration after the enlargement of the EEC. Among them are a common monetary and economic policy as a complement to the Common Market, the relations with the USA, Japan and the Third World, and the future role and competencies of the EEC Commission and the European Parliament. Pompidou however would like monetary policy alone to be the central subject at the conference. His interest is concentrated on two items in particular: a higher official gold price in Europe and the setting-up of a European Monetary Fund.

France has always rated monetary integration higher than economic integration. If Pompidou believes a European Fund to be a useful first step towards a joint central bank system, the other heads of government should not reject it from the outset. They should however give heed to two points: In the first place, they should urge parallel developments in prices and incomes with a view to greater stability, for without them their countries would either become an inflation community or develop in such divergent directions that in the end neither the Fund nor the Community would be able to function. Secondly, Europe should exercise restraint in the matter of raising the price of gold. Otherwise the reform of the international monetary system would be rendered even more difficult and relations with the

USA needlessly subjected to additional strains. It would be illogical to assign to gold a greater role in the monetary system by raising its price when all the arguments put forward for a reform of the monetary system suggest that gold should be demoted.

If these proposals are carried through in unison, a modest step forward will have been taken towards integration. But to justify remarks about a "historic" meeting, progress will have to be made in particular with the political problems of integration. ogm.

World Bank

The IDA-Replenishment

The World Bank's business year 1971/72 was one of the most successful ones. Not only was the Bank able to increase its credit volume from US-\$ 2.6 bn last year to US-\$ 3.1 bn, thus improving the chances that President McNamara's envisaged aim to double the Bank's turnover during the period 1969-1973 vis-à-vis 1964-1968 will be reached. The World Bank Group also decided upon some very important changes in policy. First steps towards a comprehensive institutional reform were undertaken by the decision to reorganise the Bank's activities on a geographic basis. The latest results obtained after the new set-up was introduced indicate that the Bank has improved its general working efficiency.

Another important improvement must be seen in the fact that nearly the whole increase of the total credit volume was channelled through IDA, thus enabling this organisation to expand its activities considerably from US-\$ 585 mn to 1 bn. This development must be welcomed in view of the indebtedness of almost all developing countries, which according to the World Bank rose by 18 p.c. in 1970, almost twice the average rate of recent years, and which shows no sign of decreasing in the future. If economic development in the least developed nations is to be accelerated during the next years, more IDA-credits will have to be made available.

Under these conditions it is very unfortunate that IDA's future work is still uncertain, since Congress was not willing to approve the US-contribution of US-\$ 960 mn. To the third replenishment of IDA's resources for the period 1971-1974. The reaction of the developing countries on the eve of the IMF and World Bank conference at the end of September has been one of hostility and bitterness towards this US-attitude. It is to be hoped that the arguments brought forward for development aid through the World Bank and IDA during the meeting in Washington will move US-Congress to act quickly on this matter. crm.